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STATE FOR NEA/ELA, NEA/RA, EB/IDF/OMA
USAID FOR ANE/MEA MCCLOUD AND DUNN
USTR FOR SAUMS
TREASURY FOR NUGENT AND HIRSON
COMMERCE FOR 4520/ITA/ANESA/TALAAT

E.O. 12958: N/A
TAGS: [EAID](#) [ECON](#) [EINV](#) [EFIN](#) [EG](#)
SUBJECT: BANK OF ALEXANDRIA SALE CONTRACT SIGNED

¶1. (U) The contract for sale of 80 percent of the shares of Bank of Alexandria (BOA) to the Italian bank Sanpaolo IMI was signed on October 31 by the Chairman of Sanpaolo, Enrico Salza, and Minister of Finance Youssef Boutros Ghali. Sanpaolo deposited the \$1.6 billion cost of the purchase into an escrow account held by the Egyptian Ministry of Finance (MOF) on October 21. The final sale will be executed on the stock exchange by the end of November. The next step, however, is obtaining approval for the sale contract from the Central Banks of Egypt and Italy. Central Bank of Egypt officials confirmed to econoff thQthe CBE Board of Directors will approve the contract at their regularly scheduled monthly meeting November 7. Once the sale is final, BOA will be the largest private bank operating in Egypt.

¶2. (U) Speaking at the EgyptInvest 2006 conference today, Guiseppe Cuccerese, Head of International Affairs for Sanpaolo, said that Sanpaolo had no plans to change BOA's name or its management, including Chairman Mahmoud Abdel Latif. BOA would remain an "Egyptian" bank, but with a new, international focus. Retail banking, consumer credit and SME finance will remain BOA's primary activities, but emphasis will also be placed on investment banking, according to Cuccerese. When queried about Sanpaolo's interest in the Egyptian banking sector, Cuccerese pointed to Egypt's renewed economic growth and its position at the center of the Middle East/North Africa region. Sanpaolo already has a presence in Morocco and Tunisia, and plans to use BOA as a platform to further expand regionally.

¶3. (U) Comment: An MOF official noted to econoff that the successful privatization of BOA will set the stage for further privatization in the banking sector. The GOE has not announced plans to privatize another public bank, however, but the merger of Banque du Caire and Banque Misr is scheduled for completion by the end of the year. Once the merger is complete, Egypt will have only two public banks, albeit with over 50 percent of the market share. In the absence of further privatization, the challenge for private banks will be to chip away at the dominate market share of the public banks. End Comment.
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